GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3859
ANSWERED ON:22.08.2003
FOREIGN INVESTMENT
NEDURUMALLI JANARDHANA REDDY

Will the Minister of FINANCE be pleased to state:

(a) Whether the Government`s attention have been drawn to the news-item captioned `India not fit for foreign investment` appearing in the Indian Express dated 31.7.2003:

(b) if so, the facts of the matter reported therein; and

(c) the steps the Government have taken to eradicate the maladies pointed out in the report?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a)&(b): Yes Sir. The news-item appeared in `Indian Express` dated July 31, 2003 reported the findings of World Bank study prepared in association with Confederation of Indian Industry. The study observed that despite India being a cost effective location for several industries, transportation bottlenecks and infrastructure costs often wipe out India`s advantage for foreign direct investment compared to many other emerging market economies.

(c) Government has taken several steps to promote domestic and foreign investment which amongst others include liberalization of policy in trade, industry, foreign direct investment infrastructure and financial sector, rationalization and reduction of both direct and indirect taxes, reduction of interest rates, tax holidays for investment in infrastructure and backward areas, combined with sound-macro economic policies so as to stimulate economic growth with stability in prices and exchange rates.

The Budget 2003-04 proposed public private partnership for infrastructure development. The measures are expected to remove the infrastructure bottlenecks. As a result of these measures , the foreign direct inflows have by and large registered a consistent growth since 1991. FDI inflows have increased from US $ 2.34 billion in 2000-01 to US $ 3.9 billion in 2001-02.